

16 December 1981

Congressional Briefing: USSR

- I. Soviet leadership pursued foreign, military, and domestic goals during past year with stolid single-mindedness characteristic of Brezhnev's seventeen years in power.
  - A. Looking back, Brezhnev team doubtless feels methodical efforts have achieved much:
    1. From significant military inferiority, they have made USSR acknowledged equal of US in most measures of strategic military power.
    2. Despite much smaller economic base, they have consistently devoted greater share resources to military areas.
    3. By combination of assertiveness and good fortune they have reached point where -- as they boast -- virtually no world problem can be solved without them.
    4. They have not only become force throughout Third World through military assistance programs and skillful use of allies and surrogates, but are competing with considerable success to affect public opinion in NATO heartland on critical Western defense issues.

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5. Above all, they have been able -- by Soviet standards -- to provide both butter and guns.

B. Somber tone of Brezhnev's major addresses to party faithful last year, however, suggests Soviet leadership concerned about durability of achievements.

1. Orthodox Communist rule in Poland, the keystone to the East European empire, under internal challenge.

2. Newly assertive US leadership appears to have mandate for change in defense and foreign policies.

3. But above all, inefficient Soviet economic system can less and less easily support Brezhnev-era goals of an expanding empire abroad, constant improvements in military strength, and economic gains and well-being at home.

II. Economic situation deteriorating. This factor increasingly conditions both Soviet policies and political maneuvering for post-Brezhnev succession.

A. Overall economic growth last year was -- for third year in row -- less than 2%; prospect is for little improvement on average in 1980s. Growth slowing in:

1. Labor force -- 1980s increase will be 1/4 that of 1970s.

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2. Rate of investment -- gross new investment for 1981-85 will be 1.6% per yeear, half figure for 1976-80.
  3. Labor productivity -- figure was lower during 1976-80 than in any other 5-year period since WWII.
- B. Overall primary energy production growing much more slowly, 2% for next five years vs 5% for 1970s, even with gas output rising rapidly. Steeply rising costs of obtaining fuels and industrial raw materials as resource base shifts eastward.
- C. Industrial output grew at roughly 2% in 1981, down from 1980; near-term outlook equally poor.
- D. Third consecutive disastrous harvest, agriculture remains an economic Achilles heel: weather primary factor, outlook for stable year-to-year gains not good. Food much more than economic issue.
1. In order simply to maintain same level per capita meat consumption year to year, record-level grain and meat imports needed at expense of hard currency reserves.
  2. While Soviet workers and consumers far from venting dissatisfaction like Poles, their resigned, pessimistic mood undercuts key factor leaders count on for future economic growth: productivity gains.

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E. Growing social malaise brings number of ill effects:

1. Alcoholism, high labor turnover and worker unrest, corruption plus black market activities, growing non-Russian resentment of Moscow's domination.
2. With traditional Soviet-era props of terror, ideology, and control over information all weakened, regime depends more on rising living standard to alleviate these ill effects -- and yet these social problems make achievement of that goal all the more difficult.

III. In face of increasingly serious domestic problems -- with energy and labor crunches yet to peak -- top Soviet leadership shows almost total absence of interest in innovative or radical shifts in economic policy.

- A. Most recent Central Committee meeting, held in November, forced to cut 1981-1985 investment goals set only last spring but otherwise was content to repeat same old complaints, urgings, and promises of future remedies.
- B. Leadership itself static: party congress last spring first in decades not to make any leadership change.
  1. Brezhnev retains preeminent political authority, but his very strength is an obstacle to progress.

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2. He has been unable or unwilling to translate authority into effective action on domestic problems, and his aging inexorably proceeds.
- C. Stasis also marks major policy lines. Decisiveness not lacking in some instances, but not really coming to grips with basic internal problems.
- D. Despite continuity -- likely to mark near future -- pressures for policy change building.
1. Party leaders at all levels increasingly apprehensive about impact of consumer dissatisfaction in a society more and more interested in acquiring material goods.
  2. Succession maneuvering among Brezhnev's top lieutenants already evidence though Brezhnev himself not now target.
- E. When Brezhnev goes, power struggle likely.
1. Little preparation for transition: aging elite, no heir designated.
  2. Even if, as is likely, succession comes in two stages -- Brezhnev's peers at first, followed by younger group -- nobody will inherit all Brezhnev's authority; greater collectivity in decisionmaking.

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F. Policy implications also likely to unfold in two stages: debate over options at first, then attempt to cope with policy muddle following outcome of power struggle.

1. Economic and social problems will be debated, heightening tensions among contenders.
2. Already, Brezhnev deputy Kirilenko, advocate of heavy industry, is hinting criticism of approaches aimed at placating consumers. Senior ideologue Suslov seems to favor firmness and if necessary coercion.
3. But longtime Brezhnev crony Chernenko -- only joined the Politburo in mid-1970s but now possible heir -- seems to be groping for more material incentives and greater dialogue between regime and populace, a la Khrushchev.
4. Other potential areas of debate: Russian nationalism versus attention to minorities, value of detente, and whether Soviet foreign policy should be more or less assertive in Third World.
5. Underlying all contention will be basic economic fact of Soviet life: regime cannot simultaneously achieve continued increases in defense spending of 4-5% per year, increases in consumer welfare, subsidization of Eastern Europe, and investment to all problem areas.

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IV. Economic factors now play bigger role in Soviet foreign policy.

A. Reactions to strains are apparent:

1. Oil exports to most of Eastern Europe being cut to sustain hard-currency-earning oil exports to West, thus weakening one prop of European Communist regimes.
2. Moscow allowed Poland and Hungary to apply for IMF membership.
3. Technology transfers sought through legal and illegal means: for economic modernization, direct military advantages, and to free resources for military programs.
4. More explicit Soviet acknowledgement of economic burden of arms in past year.
5. Huge grain purchases.

B. Economic pinch notwithstanding, Soviet foreign goals remain ambitious. But cost of maintaining empire and expanding global influence is rising:

1. In last ten years, annual cost of aid to other Communist countries has gone from less than \$2 billion to \$23 billion; now equivalent to 1.5% of Soviet GNP.

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2. Much of cost represents foregone hard currency earnings needed for modernization and consumer programs.
  3. Outlook is for continued high burden in next several years; trade surpluses with Eastern Europe likely to grow, and support to clients with bleak economic prospects such as Cuba and Vietnam will continue.
- V. Potential for internal leadership and policy changes, economic pressures, and growing complexity of international environment cannot obscure fact USSR will continue to be superpower acting widely and with determination against US interests.
- A. Military power remains for Soviets foundation of relationship with US and key instrument globally.
1. They continue to expand and improve forces of all types: new models of intercontinental and intermediate range missiles, new classes of warships, reorganization of air forces, air defenses, and ground forces all intended to maintain and even expand military basis of Soviet power and influence.
  2. Momentum through 1980s indicated:
    - Nearly 200 major weapon or support systems being produced, and defense plant floorspace being added at steady pace.

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-- More than 100 systems under development could improve military capabilities beyond levels expected end of decade.

B. Economic burden of military spending in fact growing; they are at a minimum maintaining traditional, Brezhnev-era 4% annual growth rate in face of GNP growth rate less than half that.

1. Increasing military share of new growth is recent phenomenon and raises question of Soviet objectives.
2. Apparent determination to sustain assertive foreign policy that challenges both US interests and independence of numerous other nations in farflung areas as well as on Soviet periphery.

-- Preoccupation with Afghanistan and Poland has not stopped Moscow from expanding activities in Central America, Middle East, or Western Europe.

-- Brezhnev's detente policy, albeit tattered, remains in place; seeking arms control arrangements but unwilling to cut military strength significantly or alter ambitions.

VI. Soviet global challenge to US moved into US "backyard" of Central America, but Moscow also continues to press for resumption of arms control dialogue.

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- A. Soviets desire to restrain costs of arms competition while maintaining gains of Brezhnev era and hindering US countermeasures.
- B. Soviets have abided by basic terms of SALT II (though not reducing to levels envisaged) while positioning themselves for dialogue on strategic arms issues in wake of President's November speech and start of INF talks.
  - 1. One major objective is to prevent or limit the deployment of new US missiles in Europe (their version of a "zero" level solution).
  - 2. Another is to obtain treaty limits on number of all US INF in Europe that can reach the USSR, if possible including aircraft presently based there as well as any future missiles.
  - 3. They have tried hard to influence West European attitudes; presenting Soviet data depicting existing force equilibrium and holding out promise of future Soviet reductions.
  - 4. But they have given NATO little cause to believe they are willing to lessen military capability significantly.
- C. Outlook is for serious, but mainly exploratory Soviet approach to INF and START talks.

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1. Accompanied by unrelenting public polemics aimed above all at West European government and public opinion.
2. Also, little hope of early shifts in Soviet position, or in fundamental Soviet views that led to buildup of new Soviet missiles in first place.

VII. Main Soviet challenge in 80's -- continued exploitation of Third World instability and probing with variety of diplomatic, military, and subversive tactics to erode Western positions and influence.

- A. Soviet assessment of opportunities -- and capability to pursue them -- has not diminished, though use of surrogates reduces risk of direct confrontation.
- B. Continued refusal to accept notion of "linkage" so steadfast that they seemed at outset of this administration to believe improved relations possible despite their actions and clear signals of new US concern about bilateral reciprocity and Soviet global behavior.
  1. In Middle East, Soviets support alliance of three radical, anti-Western states: Ethiopia, South Yemen, and Libya.
  2. They supported Libyan intervention in Chad (and later Libyan withdrawal when Qadhafi felt price was too high). Enormous armament of Libya.

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3. Drew closer to Libya, Syria, and PLO, and concluded first arms sale to Jordan after years of effort.

4. They have been probing to open up relations with conservative Gulf states and are attempting to interject themselves once again into Middle East peace negotiations.

5. Closer to US shores, Soviets see weakening of US influence and rise in revolutionary currents as opportunity to install anti-US and potentially pro-Soviet regimes, especially in El Salvador, Guatemala, and Honduras.

-- They have moved clandestinely as much as possible, funneling aid to leftist groups primarily through Cuba and Nicaragua, and thus are in position to pull back if US reaction appears too strong.

-- But also becoming more involved with Castro-style revolutionary activities in region than ever before.

C. Military assistance enable by defense programs serves as bedrock of Third World policy:

1. Record deliveries to Cuba, greatest since 1962.

2. Sales of military equipment becoming more important source of hard currency earnings.

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D. This is not to say that Soviets have been uniformly successful in Third World, or that their prospects are completely bright:

1. Their economic problems, as mentioned earlier, demand new commitments be carefully considered.
2. Evidence that some clients won in 1970s -- Ethiopia, Angola, Mozambique -- seek more economic aid and security backing than Moscow wants to give.
3. Soviets remain bogged down in Afghanistan, have failed to intimidate Pakistan into backing away from support for Afghan insurgents, and have yet to define policy for taking advantage of Iran-Iraq war.
4. Sino-Soviet relations frozen despite Soviet overtures to Beijing.
5. They have gained military staging advantages through support of Vietnam, but even here friction is cropping up over economic issues.

VIII. Not surprisingly, given continuity of leadership and policy in Brezhnev era, our assessment of directions of Soviet policy similar to our presentation last year.

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- A. Soviets see significant advantages from their arms programs and will match new US programs, regardless of cost.
- B. Will attempt to modulate own costs and restrain US programs through arms control measures. Will also try to improve bilateral relations with US to ensure access to grain and technology.
- C. But will be reluctant to temper assertive activities in Third World to gain this end: unable to forego efforts to stimulate and capitalize on troubles for West.
  - 1. Difference, however, is that cost of these activities is getting higher, causing strains and policy adjustments.
  - 2. Will work through surrogates and allies as much as possible to reduce costs and risks.
  - 3. And at home, will try to cope with systemic economic and social problems through non-radical measures.

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